

UNDER ARMOUR, INC.

FORM 10-Q (Quarterly Report)

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Address	1020 HULL STREET 3RD FLOOR BALTIMORE, MD 21230
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File No. 001-33202

UNDER ARMOUR, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

52-1990078
(I.R.S. Employer
Identification No.)

1020 Hull Street
Baltimore, Maryland 21230
(Address of principal executive offices) (Zip Code)

(410) 454-6428
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Class A Common Stock, \$.0003 ¹/₃ par value, 36,726,952 shares outstanding as of July 31, 2008 and Class B Convertible Common Stock, \$.0003 ¹/₃ par value, 12,500,000 shares outstanding as of July 31, 2008.

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June 30, 2008
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Under Armour, Inc. and Subsidiaries
 Consolidated Balance Sheets
 (In thousands, except share data)

	June 30, 2008 <i>(unaudited)</i>	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	\$ 13,325	\$ 40,588
Accounts receivable, net of allowance for doubtful accounts of \$1,628 and \$1,112 as of June 30, 2008 and December 31, 2007, respectively	102,659	93,515
Inventories	183,909	166,082
Income taxes receivable	5,446	614
Prepaid expenses and other current assets	15,261	11,028
Deferred income taxes	12,599	10,418
Total current assets	333,199	322,245
Property and equipment, net	66,010	52,332
Intangible assets, net	5,697	6,470
Deferred income taxes	8,377	8,173
Other non-current assets	4,170	1,393
Total assets	<u>\$ 417,453</u>	<u>\$ 390,613</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Revolving credit facility	\$ 5,000	\$ -
Accounts payable	57,803	55,012
Accrued expenses	28,599	36,111
Current maturities of long term debt	7,359	4,111
Current maturities of capital lease obligations	441	465
Deferred income taxes	474	-
Total current liabilities	99,676	95,699
Long term debt, net of current maturities	16,533	9,298
Capital lease obligations, net of current maturities	242	458
Other long term liabilities	10,151	4,673
Total liabilities	<u>126,602</u>	<u>110,128</u>
Commitments and contingencies (see Note 6)		
Stockholders' equity		
Class A Common Stock, \$.0003 ¹ / ₃ par value; 100,000,000 shares authorized as of June 30, 2008 and December 31, 2007; 36,546,579 issued and outstanding as of June 30, 2008, 36,189,564 shares issued and outstanding as of December 31, 2007	12	12
Class B Convertible Common Stock, \$.0003 ¹ / ₃ par value; 12,500,000 shares authorized, issued and outstanding as of June 30, 2008 and December 31, 2007	4	4
Additional paid-in capital	168,264	162,362
Retained earnings	122,027	117,782
Unearned compensation	(107)	(182)
Accumulated other comprehensive income	651	507
Total stockholders' equity	290,851	280,485
Total liabilities and stockholders' equity	<u>\$ 417,453</u>	<u>\$ 390,613</u>

See accompanying notes.

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Under Armour, Inc. and Subsidiaries Consolidated Statements of Income (In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008 <i>(unaudited)</i>	2007 <i>(unaudited)</i>	2008 <i>(unaudited)</i>	2007 <i>(unaudited)</i>
Net revenues	\$ 156,677	\$ 120,531	\$ 314,019	\$ 244,860
Cost of goods sold	85,773	61,432	168,280	125,180
Gross profit	70,904	59,099	145,739	119,680
Operating expenses				
Selling, general and administrative expenses	67,630	50,934	138,166	95,478
Income from operations	3,274	8,165	7,573	24,202
Other income (expense), net	(786)	1,500	(276)	2,194
Income before income taxes	2,488	9,665	7,297	26,396
Provision for income taxes	1,113	3,953	3,052	10,743
Net income	<u>\$ 1,375</u>	<u>\$ 5,712</u>	<u>\$ 4,245</u>	<u>\$ 15,653</u>
Net income available per common share				
Basic	\$ 0.03	\$ 0.12	\$ 0.09	\$ 0.33
Diluted	\$ 0.03	\$ 0.11	\$ 0.09	\$ 0.31
Weighted average common shares outstanding				
Basic	48,528	47,975	48,470	47,797
Diluted	49,842	49,885	49,895	49,851

See accompanying notes.

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**Under Armour, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)**

	Six Months Ended	
	June 30,	
	<u>2008</u>	<u>2007</u>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities		
Net income	\$ 4,245	\$ 15,653
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	9,773	6,116
Unrealized foreign currency exchange rate gains	(180)	(992)
Loss on disposal of property and equipment	22	-
Stock-based compensation	3,512	1,737
Deferred income taxes	(1,662)	(4,330)
Changes in reserves for doubtful accounts, returns, discounts and inventories	75	(217)
Changes in operating assets and liabilities:		
Accounts receivable	(8,605)	(11,168)
Inventories	(18,179)	(46,278)
Prepaid expenses and other assets	(4,597)	(992)
Accounts payable	2,727	11,353
Accrued expenses and other liabilities	(4,575)	(4,872)
Income taxes payable and receivable	(5,002)	1,497
Net cash used in operating activities	<u>(22,446)</u>	<u>(32,493)</u>
Cash flows from investing activities		
Purchase of property and equipment	(19,749)	(16,224)
Purchase of intangible assets	-	(125)
Purchase of trust owned life insurance policies	(2,792)	-
Purchases of short-term investments	-	(62,860)
Proceeds from sales of short-term investments	-	62,860
Net cash used in investing activities	<u>(22,541)</u>	<u>(16,349)</u>
Cash flows from financing activities		
Proceeds from revolving credit facility	15,000	-
Payments on revolving credit facility	(10,000)	-
Proceeds from long-term debt	13,214	1,117
Payments on long-term debt	(2,731)	(1,363)
Payments on capital lease obligations	(239)	(504)
Excess tax benefits from stock-based compensation arrangements	1,516	2,802
Proceeds from exercise of stock options and other stock issuances	1,128	1,706
Net cash provided by financing activities	17,888	3,758
Effect of exchange rate changes on cash and cash equivalents	(164)	105
Net decrease in cash and cash equivalents	<u>(27,263)</u>	<u>(44,979)</u>
Cash and cash equivalents		
Beginning of period	40,588	70,655
End of period	<u>\$ 13,325</u>	<u>\$ 25,676</u>
Non-cash financing and investing activities		
Increase to long term liabilities due to the adoption of FIN 48	\$ -	\$ 1,597
Purchase of property and equipment through certain obligations	2,735	-

See accompanying notes.

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Under Armour, Inc. and Subsidiaries Notes to the Unaudited Consolidated Financial Statements

1. Description of the Business

Under Armour, Inc. is a developer, marketer and distributor of branded performance apparel, footwear and accessories. These products are sold worldwide and worn by athletes at all levels, from youth to professional on playing fields around the globe, as well as by consumers with active lifestyles.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Under Armour, Inc. and its wholly owned subsidiaries (the "Company"). All inter-company balances and transactions have been eliminated. The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

Interim Financial Data

The results for the three and six months ended June 30, 2008 are not necessarily indicative of the results to be expected for the year ending December 31, 2008 or any other portions thereof. Certain information in footnote disclosures normally included in annual financial statements has been condensed or omitted for the interim periods presented in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim consolidated financial statements.

These financial statements do not contain all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments, consisting of normal, recurring adjustments considered necessary for a fair presentation of the financial position and results of operations have been included.

The consolidated balance sheet as of December 31, 2007 is derived from the audited financial statements included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2007 (the "2007 Form 10-K"), which should be read in conjunction with these consolidated financial statements.

Concentration of Credit Risk

Financial instruments that subject the Company to significant concentration of credit risk consist primarily of accounts receivable. The majority of the Company's accounts receivable is due from large sporting goods retailers. Credit is extended based on an evaluation of the customer's financial condition and collateral is not required. The most significant customers that accounted for a large portion of net revenues and accounts receivable are as follows:

	Customer	Customer	Customer
	A	B	C
Net revenues			
Six months ended June 30, 2008	20.3%	12.9%	4.6%
Six months ended June 30, 2007	19.6%	14.8%	4.9%
Accounts receivable			
As of June 30, 2008	26.6%	15.0%	4.6%
As of June 30, 2007	24.3%	17.7%	6.1%

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Income Taxes

The Company recorded \$1.1 million and \$4.0 million of income tax expense for the three months ended June 30, 2008 and 2007, respectively, and \$3.1 million and \$10.7 million of income tax expense for the six months ended June 30, 2008 and 2007, respectively. The effective rate for income taxes was 41.8% and 40.7% for the six months ended June 30, 2008 and 2007, respectively. The Company's annual 2008 effective tax rate is expected to be 42.6% compared to the 2007 annual effective tax rate of 41.0%. The increase in the 2008 full year effective tax rate is primarily attributable to an increase in the state income tax rate in Maryland, where the Company's corporate headquarters is located.

Shipping and Handling Costs

The Company charges certain customers shipping and handling fees. These fees are recorded in net revenues. The Company includes the majority of outbound shipping and handling costs as a component of selling, general and administrative expenses. Outbound shipping and handling costs include costs associated with shipping goods to customers and certain costs to operate the Company's distribution facilities. These costs, included within selling, general and administrative expenses, were \$4.0 million and \$2.9 million for the three months ended June 30, 2008 and 2007, respectively, and \$7.4 million and \$5.3 million for the six months ended June 30, 2008 and 2007, respectively.

Other Employee Benefits

Effective June 1, 2007, the Company's Board of Directors approved the Under Armour, Inc. Deferred Compensation Plan (the "Plan"). The Plan allows a select group of management or highly compensated employees, as approved by the Compensation Committee, to make an annual base salary and/or bonus deferral for each year. Compensation deferrals began for participating employees on January 1, 2008. As of June 30, 2008, the Plan obligation was \$2.8 million and was included in other long term liabilities on the consolidated balance sheet.

The Company established a rabbi trust (the "Rabbi Trust") during the three months ended March 31, 2008, to fund obligations to participants in the Plan. As of June 30, 2008, the assets held in the Rabbi Trust were trust owned life insurance policies ("TOLI") with a cash-surrender value of \$2.9 million. These assets are consolidated in accordance with Emerging Issues Task Force ("EITF") 97-14, *Accounting for Deferred Compensation Agreements Where Amounts Earned Are Held in a Rabbi Trust and Invested*, and are included in other non-current assets on the consolidated balance sheet. Refer to Note 7 for a discussion of the fair value measurements of the assets held in the Rabbi Trust and the Plan obligations.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates, including estimates relating to assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recently Adopted Accounting Standards

In December 2007, the SEC issued Staff Accounting Bulletin ("SAB") No. 110, *Share-Based Payment* ("SAB 110"). SAB 110 amends SAB No. 107, *Share-Based Payment*, and allows for the continued use, under certain circumstances, of the "simplified method" in developing an estimate of the expected term on stock options accounted for under the Statement of Financial Accounting Standards ("SFAS") No. 123R, *Share-Based Payment (revised 2004)*. SAB 110 is effective for stock options granted after December 31, 2007. The Company continued to use the "simplified method" in developing an estimate of the expected term on stock options granted in the first six months of 2008. The Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time its shares of Class A Common Stock have been publicly traded.

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In February 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities— Including an amendment of FASB Statement No. 115* (“SFAS 159”). SFAS 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The Company adopted SFAS 159 in the first quarter of 2008 and did not choose to apply fair value accounting to any such assets or liabilities.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, however the FASB has delayed the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for nonfinancial assets and nonfinancial liabilities, except those items recognized or disclosed at fair value on an annual or more frequent basis. The adoption of SFAS 157 for financial assets and liabilities in the first quarter of 2008 did not have a material impact on the Company’s consolidated financial statements. The Company does not believe that the adoption of SFAS 157 for nonfinancial assets and nonfinancial liabilities will have a material impact on its consolidated financial statements.

Recently Issued Accounting Standards

In June 2008, the FASB issued the FASB Staff Position (“FSP”) EITF No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* (“FSP EITF 03-6-1”). FSP EITF 03-6-1 requires that unvested stock-based compensation awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) should be classified as participating securities and should be included in the computation of earnings per share pursuant to the two-class method as described by the SFAS No. 128, *Earnings per Share*. The provisions of FSP EITF 03-6-1 are required for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of adopting FSP EITF 03-6-1 on its consolidated financial statements.

In June 2008, the FASB issued EITF Issue No. 07-5, *Determining Whether an Instrument (or an Embedded Feature) is Indexed to an Entity’s Own Stock* (“EITF 07-5”). EITF 07-5 addresses the determination of whether provisions that introduce adjustment features (including contingent adjustment features) would prevent treating a derivative contract or an embedded derivative on a company’s own stock as indexed solely to the company’s stock. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of adopting EITF 07-5 on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (“SFAS 161”). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance, and cash flows. The provisions of SFAS 161 are effective for the fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of adopting SFAS 161 on its consolidated financial statement disclosures.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations (revised 2007)* (“SFAS 141R”). SFAS 141R replaces SFAS 141 and requires the acquirer of a business to recognize and measure the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at fair value. SFAS 141R also requires transaction costs related to the business combination to be expensed as incurred. SFAS 141R is effective for business combinations for which the acquisition date is on or after fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of adopting SFAS 141R on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* (“SFAS 160”). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of adopting SFAS 160 on its consolidated financial statements.

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3. Inventories

Inventories consisted of the following:

<i>(In thousands)</i>	June 30, 2008	December 31, 2007
Finished goods	\$ 188,561	\$ 169,560
Raw materials	802	1,180
Work-in-process	18	208
Subtotal inventories	189,381	170,948
Inventories reserve	(5,472)	(4,866)
Total inventories	<u>\$ 183,909</u>	<u>\$ 166,082</u>

4. Intangible Assets, Net

The following table summarizes the Company's intangible assets as of the periods indicated:

<i>(In thousands)</i>	June 30, 2008			December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Footwear promotional rights	\$ 8,500	\$ (2,875)	\$ 5,625	\$ 8,500	\$ (2,125)	\$ 6,375
Other	125	(53)	72	125	(30)	95
Total	<u>\$ 8,625</u>	<u>\$ (2,928)</u>	<u>\$ 5,697</u>	<u>\$ 8,625</u>	<u>\$ (2,155)</u>	<u>\$ 6,470</u>

Intangible assets are amortized using estimated useful lives of 33 months to 68 months with no residual value. Amortization expense, which is included in selling, general and administrative expenses, was \$0.4 million for each of the three months ended June 30, 2008 and 2007, and \$0.8 million for each of the six months ended June 30, 2008 and 2007. The estimated amortization expense of the Company's intangible assets is \$1.5 million for each of the years ending December 31, 2008 through 2011, and \$0.4 million for the year ending December 31, 2012.

5. Revolving Credit Facility and Long Term Debt

Revolving Credit Facility

In December 2006, the Company entered into a third amended and restated financing agreement with a lending institution. This financing agreement has a term of five years and provides for a committed revolving credit line of up to \$100.0 million based on the Company's eligible domestic inventory and accounts receivable balances and may be used for working capital and general corporate purposes. This financing agreement is collateralized by substantially all of the Company's domestic assets, other than its trademarks. Up to \$10.0 million of the facility may be used to support letters of credit, which if utilized would reduce the availability under the revolving credit facility.

If net availability under the financing agreement falls below a certain threshold as defined in the agreement, the Company would be required to maintain a certain leverage ratio and fixed charge coverage ratio as defined in the agreement. This financing agreement also provides the lenders with the ability to reduce the available revolving credit line amount under certain conditions even if the Company is in compliance with all conditions of the agreement. The Company's net availability as of June 30, 2008 was above the threshold for compliance with the financial covenants and the Company was in compliance with all covenants as of June 30, 2008.

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As of June 30, 2008, \$5.0 million was outstanding under the revolving credit facility and the Company's availability was \$95.0 million based on its eligible domestic inventory and accounts receivable balances. The weighted average interest rate on the balances outstanding under the revolving credit facility was 3.5% and 3.6% for the three and six months ended June 30, 2008, respectively. There was no balance outstanding under the Company's revolving credit facility during the six months ended June 30, 2007.

Long Term Debt

In March 2005, the Company entered into an agreement to finance the acquisition or lease of up to \$17.0 million in qualifying capital investments. Loans under this agreement are collateralized by a first lien on the assets acquired. The agreement is not a committed facility, with each advance under the agreement subject to the lender's approval. In March 2008, the lender agreed to increase the maximum financing under the agreement to \$37.0 million.

In May 2008, the Company entered into an additional agreement to finance the acquisition or lease of up to \$40.0 million in qualifying capital investments. Loans under this additional agreement are collateralized by a first lien on the assets acquired. This additional agreement is not a committed facility, with each advance under the agreement subject to the lender's approval.

These agreements include a cross default provision whereby an event of default under other debt obligations, including the revolving credit facility agreement, is considered an event of default under these agreements. As of June 30, 2008 and December 31, 2007, the outstanding principal balance was \$23.9 million and \$13.4 million, respectively, under these agreements. The weighted average interest rate on outstanding borrowings was 6.0% and 6.6% for the three months ended June 30, 2008 and 2007, respectively, and 6.3% and 6.6% for the six months ended June 30, 2008 and 2007, respectively.

The following is a schedule of future principal and interest payments on long term debt as of June 30, 2008:

<i>(In thousands)</i>	June 30, 2008
July 1 - December 31, 2008	\$ 4,394
2009	8,041
2010	7,736
2011	3,888
2012 and thereafter	2,326
Total future payments on long term debt	26,385
Less amount representing interest	(2,493)
Total principal payments on long term debt	23,892
Less current maturities of long term debt	(7,359)
Long term debt obligations	<u>\$ 16,533</u>

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6. Commitments and Contingencies

Sponsorships and Other Marketing Commitments

Within the normal course of business, the Company enters into contractual commitments in order to promote the Company's brand and products. These commitments include sponsorship agreements with teams and athletes on the collegiate and professional levels, official supplier agreements, athletic event sponsorships and other marketing commitments. The following is a schedule of the Company's future minimum payments under its sponsorship and other marketing agreements:

<i>(In thousands)</i>	June 30, 2008
July 1 - December 31, 2008	\$ 7,813
2009	19,683
2010	17,790
2011	14,249
2012 and thereafter	4,378
Total future minimum sponsorship and other marketing payments	<u>\$ 63,913</u>

The amounts listed above are the minimum obligations required to be paid under the Company's sponsorship and other marketing agreements. The amounts listed above do not include additional incentives based on performance achievements while wearing or using the Company's products and product supply obligations provided under some of these agreements.

Other

The Company is, from time to time, involved in routine legal matters incidental to its business. Management believes that the ultimate resolution of any such current proceedings and claims will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Certain key executives are party to agreements with the Company that include severance benefits upon involuntary termination of employment without cause or for good reason, including following a change in control of the Company.

7. Fair Value Measurements

The Company adopted SFAS 157 as of January 1, 2008. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). SFAS 157 outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures and prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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Financial assets and liabilities measured at fair value as of June 30, 2008 are set forth in the table below:

<i>(In thousands)</i>	Description	Level 1	Level 2	Level 3
	Derivative foreign currency forward contracts (see Note 10)	\$ -	\$ 88	\$ -
	TOLI held by the Rabbi Trust (see Note 2)	-	2,874	-
	The Plan obligations (see Note 2)	-	(2,818)	-

Fair values of the financial assets and liabilities listed above are determined using inputs that use as their basis readily observable market data that are actively quoted and are validated through external sources, including third-party pricing services and brokers. The foreign currency forward contracts represent gains and losses on derivative contracts, which is the net difference between the U.S. dollars to be received or paid at the contracts' settlement date and the U.S. dollar value of the foreign currency to be sold or purchased at the current forward exchange rate. The fair value of the TOLI held by the Rabbi Trust is based on the cash-surrender value of the policies, which are invested primarily in mutual funds and a separately managed fixed income fund. These investments are in the same funds and are purchased in substantially the same amounts as the participants' selected investments, which represent the underlying liabilities to participants in the Plan. Liabilities under the Plan are recorded at amounts due to participants, based on the fair value of participants' selected investments.

8. Other Income (Expense), Net

The components of other income (expense), net consisted of the following:

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Interest income	\$ 61	\$ 495	\$ 274	\$ 1,248
Interest expense	(358)	(161)	(661)	(325)
Unrealized foreign currency exchange rate gains	57	887	180	992
Realized foreign currency exchange rate gains (losses)	(354)	279	(392)	279
Unrealized derivative gains (losses)	(190)	-	347	-
Realized derivative losses	(2)	-	(24)	-
Total other income (expense), net	<u>\$ (786)</u>	<u>\$ 1,500</u>	<u>\$ (276)</u>	<u>\$ 2,194</u>

9. Stock-Based Compensation

In February 2008, 357.6 thousand stock options and 139.0 thousand shares of restricted stock and restricted stock units were awarded to certain officers and key employees under the Company's 2005 Omnibus Long-Term Incentive Plan. These awards vest ratably over a five year period, and the stock options have a term of ten years from the date of grant. The exercise price of the stock options and the fair value of each share of restricted stock and restricted stock unit was \$43.65, which was the closing price of the Company's Class A Common Stock on the date of grant.

The fair value of each of the stock options noted above was \$21.84 and was estimated using the Black-Scholes option-pricing model consistent with the weighted average assumptions included in the 2007 Form 10-K. As permitted by SAB 110, the Company used the "simplified method" to calculate the expected term for stock options granted during the period since it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time its shares of Class A Common Stock have been publicly traded.

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10. Foreign Currency Risk Management and Derivatives

The Company is exposed to gains and losses resulting from fluctuations in foreign currency exchange rates primarily relating to transactions generated by its international subsidiaries in currencies other than their local currencies. In August 2007, the Company began using foreign currency forward contracts in order to reduce the risk associated with foreign currency exchange rate fluctuations on projected inventory purchases, inter-company payments and other general working capital requirements for its Canadian subsidiary.

As of June 30, 2008, the notional value of the Company's outstanding foreign currency forward contracts used to mitigate the foreign currency exchange rate fluctuations on its Canadian subsidiary's projected inventory purchases was approximately \$13.9 million with maturities of 1 to 8 months. The foreign currency forward contracts are not designated as cash flow hedges, and accordingly, changes in their fair value are recorded in earnings. As of June 30, 2008, the fair value of the Company's foreign currency forward contracts was \$0.1 million which is included in prepaid expenses and other current assets on the consolidated balance sheet. Refer to Note 7 for a discussion of the fair value measurements of the Company's foreign currency forward contracts. Other income (expense), net included unrealized losses of \$0.2 million for the three months ended June 30, 2008, unrealized gains of \$0.3 million for the six months ended June 30, 2008, and realized losses of \$2.5 thousand and \$23.9 thousand for the three and six months ended June 30, 2008, respectively, relating to foreign currency forward contracts.

The Company enters into foreign currency forward contracts with a major financial institution with investment grade credit ratings and is exposed to credit losses in the event of non-performance by this financial institution. This credit risk is generally limited to the unrealized gains in the foreign currency forward contracts. However, the Company monitors the credit quality of the financial institution and considers the risk of counterparty default to be minimal.

11. Earnings per Share

The following represents a reconciliation from basic earnings per share to diluted earnings per share:

<i>(In thousands, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Numerator				
Net income	\$ 1,375	\$ 5,712	\$ 4,245	\$ 15,653
Denominator				
Weighted average common shares outstanding	48,528	47,975	48,470	47,797
Effect of dilutive securities	1,314	1,910	1,425	2,054
Weighted average common shares and dilutive securities outstanding	49,842	49,885	49,895	49,851
Earnings per share - basic	\$ 0.03	\$ 0.12	\$ 0.09	\$ 0.33
Earnings per share - diluted	\$ 0.03	\$ 0.11	\$ 0.09	\$ 0.31

Effects of potentially dilutive securities are presented only in periods in which they are dilutive. Stock options, restricted stock awards, restricted stock units and warrants representing 1.4 million and 174.2 thousand shares of common stock were outstanding for the three months ended June 30, 2008 and 2007, respectively, and stock options, restricted stock awards, restricted stock units and warrants representing 1.0 million and 152.0 thousand shares of common stock were outstanding for the six months ended June 30, 2008 and 2007, respectively, but were excluded from the computation of diluted earnings per share because their effect would be anti-dilutive.

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12. Segment Data and Related Information

Operating segments are defined as components of an enterprise in which separate financial information is available and is evaluated regularly by the chief operating decision maker in assessing performance and in deciding how to allocate resources. The Company operates exclusively in the consumer products industry in which the Company develops, markets, and distributes branded performance apparel, footwear and accessories. Based on the nature of the financial information that is received by the chief operating decision maker, the Company operates within one operating and reportable segment in accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. Although the Company operates within one reportable segment, it has several product categories for which the net revenues attributable to each product category are as follows:

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Men's	\$ 65,028	\$ 61,014	\$ 147,149	\$ 129,479
Women's	21,221	18,504	54,782	43,194
Youth	9,958	7,727	23,464	18,218
Total apparel	96,207	87,245	225,395	190,891
Footwear	45,966	20,089	62,564	31,928
Accessories	7,272	7,098	13,368	12,372
Total net sales	149,445	114,432	301,327	235,191
License revenues	7,232	6,099	12,692	9,669
Total net revenues	\$ 156,677	\$ 120,531	\$ 314,019	\$ 244,860

The table below summarizes product net revenues by geographic regions attributed by customer location:

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
United States	\$ 146,099	\$ 114,008	\$ 290,271	\$ 228,433
Canada	6,138	4,641	14,159	9,418
Subtotal	152,237	118,649	304,430	237,851
Other foreign countries	4,440	1,882	9,589	7,009
Total net revenues	\$ 156,677	\$ 120,531	\$ 314,019	\$ 244,860

During the six months ended June 30, 2008 and 2007, substantially all of the Company's long-lived assets were located in the United States.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Some of the statements contained in this Form 10-Q and any documents that may be incorporated herein by reference constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, such as statements regarding our future financial condition or results of operations, our prospects and strategies for future growth, the development and introduction of new products, and the implementation of our marketing and branding strategies. In many cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "intends," "estimates," "predicts," "potential" or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this Form 10-Q and any documents that may be incorporated herein by reference reflect our current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") (our "2007 Form 10-K") or in this Form 10-Q, if included herein, under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"). These factors include without limitation:

- our ability to forecast and manage our growth effectively;
- our ability to develop and launch effectively new and updated products;
- our ability to accurately forecast consumer demand for our products;
- changes in general economic or market conditions;
- our ability to obtain the financing required to grow our business;
- increased competition causing us to reduce the prices of our products or to increase significantly our marketing efforts in order to avoid losing market share;
- changes in consumer preferences or the reduction in demand for performance apparel and other products;
- reduced demand for sporting goods and apparel generally;
- failure of our suppliers or manufacturers to produce or deliver our products in a timely or cost-effective manner;
- our ability to accurately anticipate and respond to seasonal or quarterly fluctuations in our operating results;
- our ability to effectively market and maintain a positive brand image;
- the availability, integration and effective operation of management information systems and other technology;
- our ability to attract and maintain the services of our senior management and key employees; and
- our ability to maintain effective internal controls.

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The forward-looking statements contained in this Form 10-Q reflect our views and assumptions only as of the date of this Form 10-Q. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Overview

We are a leading developer, marketer and distributor of branded performance apparel, footwear and accessories. Our mission is to make all athletes better through science, passion and the relentless pursuit of innovation. The brand's moisture-wicking synthetic fabrications are engineered in many different designs and styles for wear in nearly every climate to provide a performance alternative to traditional natural fiber products. Our products are sold worldwide and worn by athletes at all levels, from youth to professional, on playing fields around the globe, as well as by consumers with active lifestyles.

Our net revenues have grown to \$606.6 million in 2007 from \$115.4 million in 2003. We reported net revenues of \$314.0 million for the first six months of 2008, which represented a 28% increase from the first six months of 2007. We believe that our growth in net revenues has been driven by a growing interest in performance products and the strength of the Under Armour brand in the marketplace relative to our competitors, as evidenced by the increases in sales of our men's, women's and youth apparel products, footwear and accessories. We plan to continue to increase our net revenues by building upon our relationships with existing customers, expanding our product offerings, offering new products, building our direct to consumer sales channel and building our brand internationally. Our direct to consumer channel includes sales through our website, catalog and retail outlet and specialty stores. New product offerings included the May 2008 introduction of performance training footwear, which we began shipping in the first quarter of 2008, and will include running footwear which will be introduced in the first quarter of 2009. In addition, we have entered into strategic agreements with third party licensees and distributors to further reinforce our brand identity and increase our net revenues.

Our products are currently offered in approximately 17,000 retail stores worldwide. A large majority of our products are sold in North America; however we believe that our products appeal to athletes and consumers with active lifestyles around the globe. Internationally, our products are offered primarily in the United Kingdom, France and Germany, as well as in Japan through a third-party licensee and through our distributors located in other foreign countries.

General

Net revenues comprise both net sales and license revenues. Net sales comprise our five primary product categories, which are men's, women's and youth apparel, footwear and accessories. Our license revenues consist of fees paid to us by our licensees in exchange for the use of our trademarks on core products of socks, hats, bags, eyewear and other accessories, as well as the distribution of our products in Japan.

Cost of goods sold consists primarily of product costs, inbound freight and duty costs, handling costs to make products floor-ready to customer specifications, and write downs for inventory obsolescence. The fabrics in our products are made of petroleum-based synthetic materials. Therefore our product costs, as well as our inbound freight costs, could be affected by long term pricing trends of oil. In addition, cost of goods sold includes overhead costs associated with our Special Make-Up Shop located at one of our distribution facilities where we manufacture a limited number of products, and costs relating to our Hong Kong and Guangzhou, China offices which help support manufacturing, quality assurance and sourcing efforts. No cost of goods sold is associated with license revenues.

We include a majority of our outbound shipping and handling costs as a component of selling, general and administrative expenses. As a result, our gross profit may not be comparable to that of other companies that include outbound shipping and handling costs in the calculation of their cost of goods sold. Outbound shipping

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and handling costs include costs associated with shipping goods to customers and certain costs to operate our distribution facilities. These costs were \$4.0 million and \$2.9 million for the three months ended June 30, 2008 and 2007, respectively, and \$7.4 million and \$5.3 million for the six months ended June 30, 2008 and 2007, respectively.

Our selling, general and administrative expenses consist of costs related to marketing, selling, product innovation and supply chain and corporate services. Our marketing costs are an important driver of our growth. Historically, our marketing investments were within the range of 10% to 12% of net revenues. For the full year 2008, we expect to increase our investments in marketing to the range of 12% to 13% of net revenues. Marketing costs consist primarily of commercials, print ads, league, team and player sponsorships, amortization of footwear promotional rights, depreciation expense specific to our in-store fixture program and marketing related payroll. Selling costs consist primarily of payroll and other costs relating to sales through our wholesale and direct to consumer channels, along with commissions paid to third parties. Product innovation and supply chain costs include our apparel and footwear product creation and development costs, distribution facility operating costs, and related payroll. Corporate services primarily consist of corporate facility operating costs, related payroll and company-wide administrative and stock-based compensation expenses.

Other income (expense), net consists of interest income, interest expense, unrealized and realized gains and losses on our derivative financial instruments, and unrealized and realized gains and losses on adjustments that arise from fluctuations in foreign currency exchange rates relating to transactions generated by our international subsidiaries.

Results of Operations

The following table sets forth key components of our results of operations for the periods indicated, both in dollars and as a percentage of net revenues:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<i>(In thousands)</i>				
Net revenues	\$ 156,677	\$ 120,531	\$ 314,019	\$ 244,860
Cost of goods sold	85,773	61,432	168,280	125,180
Gross profit	70,904	59,099	145,739	119,680
Selling, general and administrative expenses	67,630	50,934	138,166	95,478
Income from operations	3,274	8,165	7,573	24,202
Other income (expense), net	(786)	1,500	(276)	2,194
Income before income taxes	2,488	9,665	7,297	26,396
Provision for income taxes	1,113	3,953	3,052	10,743
Net income	\$ 1,375	\$ 5,712	\$ 4,245	\$ 15,653

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<i>(As a percentage of net revenues)</i>				
Net revenues	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	54.7	51.0	53.6	51.1
Gross profit	45.3	49.0	46.4	48.9
Selling, general and administrative expenses	43.2	42.2	44.0	39.0
Income from operations	2.1	6.8	2.4	9.9
Other income (expense), net	(0.5)	1.2	(0.1)	0.9
Income before income taxes	1.6	8.0	2.3	10.8
Provision for income taxes	0.7	3.3	0.9	4.4
Net income	0.9%	4.7%	1.4%	6.4%

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Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007

Net revenues increased \$36.2 million, or 30.0%, to \$156.7 million for the three months ended June 30, 2008 from \$120.5 million for the same period in 2007. This increase was the result of increases in both our net sales and license revenues as noted in the product category table below:

<i>(In thousands)</i>	Three Months Ended June 30,			
	2008	2007	\$ Change	% Change
Men's	\$ 65,028	\$ 61,014	\$ 4,014	6.6%
Women's	21,221	18,504	2,717	14.7
Youth	9,958	7,727	2,231	28.9
Total apparel	96,207	87,245	8,962	10.3
Footwear	45,966	20,089	25,877	128.8
Accessories	7,272	7,098	174	2.5
Total net sales	149,445	114,432	35,013	30.6
License revenues	7,232	6,099	1,133	18.6
Total net revenues	\$ 156,677	\$ 120,531	\$ 36,146	30.0%

Net sales increased \$35.0 million, or 30.6%, to \$149.4 million for the three months ended June 30, 2008 from \$114.4 million during the same period in 2007 as noted in the table above. The increase in net sales primarily reflects:

- \$25.9 million, or 128.8%, increase in footwear sales driven primarily by our performance training footwear launch;
- continued unit volume growth in certain existing apparel products, such as golf, team, underwear, women's fitness and youth training products;
- increased average apparel selling prices driven primarily by a higher percentage of direct to consumer sales in the current year period versus the prior year period; and
- product introductions subsequent to June 30, 2007 in multiple product categories, most significantly in our training and golf categories.

License revenues increased \$1.1 million, or 18.6%, to \$7.2 million for the three months ended June 30, 2008 from \$6.1 million during the same period in 2007. This increase in license revenues was a result of increased sales by our licensees due to increased distribution and continued unit volume growth, along with new product offerings.

Gross profit increased \$11.8 million to \$70.9 million for the three months ended June 30, 2008 from \$59.1 million for the same period in 2007. Gross profit as a percentage of net revenues, or gross margin, decreased 370 basis points to 45.3% for the three months ended June 30, 2008 compared to 49.0% during the same period in 2007. The decrease in gross margin percentage was primarily driven by the following:

- significantly higher sales of footwear year over year which have lower margins than our apparel products, accounting for an approximate 310 basis point decrease;
- less favorable apparel product mix relative to margins, along with slightly higher inbound transportation costs and a discount to customers on a few discontinued styles, accounting for an approximate 180 basis point decrease; partially offset by
- increased sales through our direct to consumer channel which produces higher margins, along with increased license revenues, accounting for an approximate 100 basis point increase; and
- decreased sales returns and markdown allowances, along with lower inventory reserves, accounting for an approximate 20 basis point increase.

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Selling, general and administrative expenses increased \$16.7 million to \$67.6 million for the three months ended June 30, 2008 from \$50.9 million for the same period in 2007. As a percentage of net revenues, selling, general and administrative expenses increased to 43.2% for the three months ended June 30, 2008 from 42.2% for the same period in 2007. These changes were primarily attributable to the following:

- Marketing costs increased \$6.2 million to \$22.5 million for the three months ended June 30, 2008 from \$16.3 million for the same period in 2007 primarily due to our print and in-store brand marketing campaign for the introduction of our performance training footwear, increased marketing costs for specific customers, sponsorship of new teams on the collegiate level and increased personnel costs. As a percentage of net revenues, marketing costs increased to 14.4% for the three months ended June 30, 2008 from 13.5% for the same period in 2007 primarily due to the items noted above, partially offset by lower media expenditures as a percentage of net revenues in 2008.
- Selling costs increased \$4.3 million to \$13.3 million for the three months ended June 30, 2008 from \$9.0 million for the same period in 2007. This increase was primarily due to costs incurred for the continued expansion of our direct to consumer channel, along with additional personnel in our domestic and international sales force. As a percentage of net revenues, selling costs increased to 8.5% for the three months ended June 30, 2008 from 7.5% for the same period in 2007 due to the continued expansion of our direct to consumer channel.
- Product innovation and supply chain costs increased \$3.5 million to \$15.3 million for the three months ended June 30, 2008 from \$11.8 million for the same period in 2007 primarily due to higher distribution facilities operating and personnel costs to support our growth in net revenues and higher personnel costs for the design and sourcing of our expanding footwear and apparel lines. As a percentage of net revenues, product innovation and supply chain costs remained unchanged at 9.8% for the three months ended June 30, 2008 and 2007.
- Corporate services costs increased \$2.7 million to \$16.5 million for the three months ended June 30, 2008 from \$13.8 million for the same period in 2007. This increase was attributable primarily to higher company-wide stock-based compensation, post-implementation consulting costs and depreciation expense related to our new warehouse management system and increased corporate costs relating to the continued expansion of our network of retail stores. As a percentage of net revenues, corporate services costs decreased to 10.5% for the three months ended June 30, 2008 from 11.4% for the same period in 2007 primarily due to lower corporate personnel costs partially offset by higher company-wide stock-based compensation as a percentage of net revenues in 2008.

Income from operations decreased \$4.9 million, or 59.9%, to \$3.3 million for the three months ended June 30, 2008 from \$8.2 million for the same period in 2007. Income from operations as a percentage of net revenues decreased to 2.1% for the three months ended June 30, 2008 from 6.8% for the same period in 2007. This decrease was a result of a decrease in gross profit and an increase in selling, general and administrative expenses as a percentage of net revenues as discussed above.

Other income (expense), net decreased \$2.3 million to (\$0.8) million for the three months ended June 30, 2008 from \$1.5 million for the same period in 2007. This decrease was primarily due to unrealized and realized foreign currency exchange rate net losses for the three months ended June 30, 2008 as compared to unrealized and realized foreign currency exchange rate gains for the same period in 2007. In addition lower interest income was earned during the three months ended June 30, 2008 as compared to the same period in 2007.

Provision for income taxes decreased \$2.9 million to \$1.1 million for the three months ended June 30, 2008 from \$4.0 million for the same period in 2007. For the three months ended June 30, 2008, our effective tax rate was 44.7% compared to 40.9% for the same period in 2007. Our annual 2008 effective tax rate is expected to be 42.6% compared to the 2007 annual effective tax rate of 41.0%. The increase in the 2008 full year effective tax rate is primarily attributable to an increase in the state income tax rate in Maryland, where our corporate headquarters is located.

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Net income decreased \$4.3 million to \$1.4 million for the three months ended June 30, 2008 from \$5.7 million for the same period in 2007, as a result of the factors described above.

Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007

Net revenues increased \$69.1 million, or 28.2%, to \$314.0 million for the six months ended June 30, 2008 from \$244.9 million for the same period in 2007. This increase was the result of increases in both our net sales and license revenues as noted in the product category table below:

<i>(In thousands)</i>	Six Months Ended June 30,			
	2008	2007	\$ Change	% Change
Men's	\$ 147,149	\$ 129,479	\$ 17,670	13.6%
Women's	54,782	43,194	11,588	26.8
Youth	23,464	18,218	5,246	28.8
Total apparel	225,395	190,891	34,504	18.1
Footwear	62,564	31,928	30,636	96.0
Accessories	13,368	12,372	996	8.1
Total net sales	301,327	235,191	66,136	28.1
License revenues	12,692	9,669	3,023	31.3
Total net revenues	\$ 314,019	\$ 244,860	\$ 69,159	28.2%

Net sales increased \$66.1 million, or 28.1%, to \$301.3 million for the six months ended June 30, 2008 from \$235.2 million during the same period in 2007 as noted in the table above. The increase in net sales primarily reflects:

- \$30.6 million, or 96.0%, increase in footwear sales driven primarily by our performance training footwear launch;
- continued unit volume growth in certain existing apparel products, such as training, golf, team, women's fitness and youth training products;
- increased average apparel selling prices driven primarily by a higher percentage of direct to consumer sales in the current year period versus the prior year period; and
- product introductions subsequent to June 30, 2007 in multiple product categories, most significantly in our training, golf and running categories.

License revenues increased \$3.0 million, or 31.3%, to \$12.7 million for the six months ended June 30, 2008 from \$9.7 million during the same period in 2007. This increase in license revenues was a result of increased sales by our licensees due to increased distribution and continued unit volume growth, along with new product offerings.

Gross profit increased \$26.0 million to \$145.7 million for the six months ended June 30, 2008 from \$119.7 million for the same period in 2007. Gross profit as a percentage of net revenues, or gross margin, decreased 250 basis points to 46.4% for the six months ended June 30, 2008 compared to 48.9% during the same period in 2007. The decrease in gross margin percentage was primarily driven by the following:

- higher sales of footwear year over year which have lower margins than our apparel products, accounting for an approximate 180 basis point decrease;
- less favorable apparel product mix relative to margins, along with slightly higher inbound transportation costs, accounting for an approximate 100 basis point decrease;
- increased inventory reserves driven primarily by certain glove quantities in excess of our anticipated sales forecast, accounting for an approximate 50 basis point decrease; partially offset by

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- increased sales through our direct to consumer channel which produces higher margins, along with increased license revenues, accounting for an approximate 80 basis point increase.

Selling, general and administrative expenses increased \$42.7 million to \$138.2 million for the six months ended June 30, 2008 from \$95.5 million for the same period in 2007. As a percentage of net revenues, selling, general and administrative expenses increased to 44.0% for the six months ended June 30, 2008 from 39.0% for the same period in 2007. These changes were primarily attributable to the following:

- Marketing costs increased \$20.4 million to \$50.5 million for the six months ended June 30, 2008 from \$30.1 million for the same period in 2007 primarily due to our film, print and in-store brand marketing campaign for the introduction of our performance training footwear, increased marketing costs for specific customers, sponsorship of new teams and athletes on the collegiate and professional levels and increased personnel costs. As a percentage of net revenues, marketing costs increased to 16.1% for the six months ended June 30, 2008 from 12.3% for the same period in 2007 primarily due to the items noted above.
- Selling costs increased \$6.6 million to \$25.2 million for the six months ended June 30, 2008 from \$18.6 million for the same period in 2007. This increase was primarily due to costs incurred for the continued expansion of our direct to consumer channel, along with additional personnel in our domestic and international sales force. As a percentage of net revenues, selling costs increased to 8.0% for the six months ended June 30, 2008 from 7.6% for the same period in 2007 due to the continued expansion of our direct to consumer channel, partially offset by leverage experienced from our apparel sales force with our growth in net revenues.
- Product innovation and supply chain costs increased \$8.5 million to \$30.2 million for the six months ended June 30, 2008 from \$21.7 million for the same period in 2007 primarily due to higher distribution facilities operating and personnel costs to support our growth in net revenues and higher personnel costs for the design and sourcing of our expanding footwear and apparel lines. As a percentage of net revenues, product innovation and supply chain costs increased to 9.6% for the six months ended June 30, 2008 from 8.9% for the same period in 2007 primarily due to the items noted above.
- Corporate services costs increased \$7.2 million to \$32.3 million for the six months ended June 30, 2008 from \$25.1 million for the same period in 2007. This increase was attributable primarily to additional corporate facility personnel and operating costs to support our growth, higher company-wide stock-based compensation, post-implementation consulting costs and depreciation expense related to our new warehouse management system and increased corporate costs relating to the continued expansion of our network of retail stores. As a percentage of net revenues, corporate services costs increased slightly to 10.3% for the six months ended June 30, 2008 from 10.2% for the same period in 2007 primarily due to higher stock-based compensation, partially offset by lower corporate personnel costs as a percentage of net revenues in 2008.

Income from operations decreased \$16.6 million, or 68.7%, to \$7.6 million for the six months ended June 30, 2008 from \$24.2 million for the same period in 2007. Income from operations as a percentage of net revenues decreased to 2.4% for the six months ended June 30, 2008 from 9.9% for the same period in 2007. This decrease was a result of an increase in selling, general and administrative expenses, primarily related to marketing costs, and a decrease in gross profit as a percentage of net revenues as discussed above.

Other income (expense), net decreased \$2.5 million to (\$0.3) million for the six months ended June 30, 2008 from \$2.2 million for the same period in 2007. This decrease was primarily due to unrealized and realized foreign currency exchange rate net losses, partially offset by unrealized derivative financial instrument gains, for the six months ended June 30, 2008 as compared to unrealized and realized foreign currency exchange rate gains for the same period in 2007. In addition, lower interest income was earned during the six months ended June 30, 2008 as compared to the same period in 2007.

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Provision for income taxes decreased \$7.6 million to \$3.1 million for the six months ended June 30, 2008 from \$10.7 million for the same period in 2007. For the six months ended June 30, 2008, our effective tax rate was 41.8% compared to 40.7% for the same period in 2007. Our annual 2008 effective tax rate is expected to be 42.6% compared to the 2007 annual effective tax rate of 41.0%. The increase in the 2008 full year effective tax rate is primarily attributable to an increase in the state income tax rate in Maryland, where our corporate headquarters is located.

Net income decreased \$11.5 million to \$4.2 million for the six months ended June 30, 2008 from \$15.7 million for the same period in 2007, as a result of the factors described above.

Seasonality

Historically, we have recognized a significant portion of our income from operations in the last two quarters of the year, driven by increased sales volume of our products during the fall selling season, reflecting our historical strength in fall sports, and the seasonality of our higher priced COLDGEAR[®] line. During 2008, a larger portion of our income from operations will be in the last two quarters of 2008 partially due to the shift in the timing of planned marketing investments to the first two quarters of 2008. The majority of our net revenues were generated during the last two quarters of 2007, 2006 and 2005. The level of our working capital generally reflects the seasonality and growth in our business. We generally expect inventory, accounts payable and certain accrued expenses to be higher in the second and third quarters in preparation for the fall selling season. Nonetheless, the historical high percentage of income from operations and net revenues in the second half of the year may have been in part due to our significant growth in net revenues.

Financial Position, Capital Resources and Liquidity

Our cash requirements have principally been for working capital and capital expenditures. Working capital is primarily funded from cash flows provided by operating activities and cash and cash equivalents on hand. Our working capital requirements generally reflect the seasonality and growth in our business as we recognize a significant increase in sales leading up to the fall selling season. Since 2007, we have funded a portion of our working capital (primarily inventory) and capital investments from cash and cash equivalents on hand and borrowings available under our revolving credit and long term debt facilities. Our capital investments have included expanding our in-store fixture program, improvements and expansion of our distribution and corporate facilities to support our growth, leasehold improvements to our new retail stores, the investment and improvements in a company-wide Enterprise Resource Planning (“ERP”) system and the implementation of our new warehouse management system.

During 2007, our inventory strategy included increasing inventory levels to meet the anticipated consumer demand for our products. This included being in stock in core product offerings, which are products that we plan to have available for sale over the next twelve months and beyond at full price. In addition, our inventory strategy included shipping seasonal product at the start of the shipping window in order to maximize the productivity of our floor sets and earmarking any seasonal excess for our retail outlet stores. In 2008, we continue to focus on meeting consumer demand while improving our inventory efficiency over the long term by putting systems and procedures in place to improve our production planning process. Based on these initiatives, we expect our year over year inventory growth rate to decelerate as we move through the remainder of 2008.

We believe that our cash and cash equivalents on hand, cash from operations and borrowings available to us under our revolving credit and long term debt facilities will be adequate to meet our liquidity needs and capital expenditure requirements for at least the next twelve months. We anticipate that our business will require additional capital to meet our longer term liquidity and future growth needs.

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Cash Flows

The following table presents the major components of net cash flows used in and provided by operating, investing and financing activities for the periods presented:

<i>(In thousands)</i>	Six Months Ended	
	June 30,	
	2008	2007
Net cash (used in) provided by:		
Operating activities	\$ (22,446)	\$ (32,493)
Investing activities	(22,541)	(16,349)
Financing activities	17,888	3,758
Effect of exchange rate changes on cash and cash equivalents	(164)	105
Net decrease in cash and cash equivalents	<u>\$ (27,263)</u>	<u>\$ (44,979)</u>

Operating Activities

Operating activities consist primarily of net income adjusted for certain non-cash items. Non-cash items include depreciation and amortization, unrealized foreign currency exchange rate gains and losses, stock-based compensation, deferred income taxes and changes in reserves for doubtful accounts, returns, discounts and inventories. In addition, operating cash flows include the effect of changes in operating assets and liabilities, principally inventories, accounts receivable, income taxes payable and receivable, prepaid expenses and other assets, accrued expenses and accounts payable.

Cash used in operating activities decreased \$10.1 million to \$22.4 million for the six months ended June 30, 2008 from \$32.5 million during the same period in 2007. The reduction in cash used in operating activities was due to decreased cash outflows from operating assets and liabilities of \$12.3 million and increased non-cash items of \$9.2 million period over period, partially offset by a decrease in net income of \$11.4 million. The decrease in cash outflows related to changes in operating assets and liabilities period over period was primarily driven by the following:

- a lower increase in inventory levels of \$28.1 million, primarily driven by the operational initiatives put in place to improve our inventory management; partially offset by
- a lower increase in accounts payable of \$8.6 million primarily due to the lower increase in inventory levels; and
- a higher increase in income taxes receivable of \$6.5 million in the six months of 2008 as compared to the first six months of 2007.

Positive adjustments to net income for non-cash items increased in the six months ended June 30, 2008 as compared to the same period of the prior year primarily as a result of higher depreciation and amortization expense relating to information technology initiatives, branded concept shops and the improvements to our distribution facilities, a lower increase in deferred income tax assets, and higher stock-based compensation expense.

Investing Activities

Cash used in investing activities, which includes capital expenditures and the purchase of trust owned life insurance policies, increased \$6.2 million to \$22.5 million for the six months ended June 30, 2008 from \$16.3 million for the same period in 2007. This increase in cash used in investing activities is primarily due to the additional investments in our branded concept shops, in-store fixtures and our retail stores and website, as well as the purchase of trust owned life insurance policies. This increase is partially offset by lower investments in our distribution facilities period over period.

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Capital investments for the full year 2008 are anticipated to be in the range of \$40.0 to \$42.0 million, which will include investments in our branded concept shops and in-store fixtures and upgrades and improvements to our information technology infrastructure, including additional investments in our ERP system specific to inventory and financial planning and in our website. In addition, capital expenditures for the full year 2008 will include improvements to our existing distribution facilities, the build out of new outlet and specialty retail stores and additional general corporate improvements to support our growth.

Financing Activities

Cash provided by financing activities increased \$14.1 million to \$17.9 million for the six months ended June 30, 2008 from \$3.8 million for the same period in 2007. This increase was primarily due to additional net proceeds received from long term debt and the revolving credit facility, partially offset by lower excess tax benefits from stock-based compensation arrangements.

Revolving Credit Facility Agreement

In December 2006, we entered into an amended and restated financing agreement with a lending institution. This financing agreement has a term of five years and provides for a committed revolving credit line of up to \$100.0 million based on our eligible domestic inventory and accounts receivable balances and may be used for working capital and general corporate purposes. This financing agreement is collateralized by substantially all of our domestic assets, other than our trademarks. Up to \$10.0 million of the facility may be used to support letters of credit, which if utilized would reduce the availability under the revolving credit line.

The revolving credit facility bears interest based on the daily balance outstanding at our choice of LIBOR plus an applicable margin (varying from 1.0% to 2.0%) or the JP Morgan Chase Bank prime rate plus an applicable margin (varying from 0.0% to 0.5%). The applicable margin is calculated quarterly and varies based on our pricing leverage ratio as defined in the agreement. The revolving credit facility also carries a line of credit fee varying from 0.1% to 0.5% of the available but unused borrowings.

As of June 30, 2008, \$5.0 million was outstanding under the revolving credit facility and our availability was \$95.0 million based on our eligible domestic inventory and accounts receivable balances. The weighted average interest rate on the balances outstanding under the revolving credit facilities was 3.5% and 3.6% for the three and six months ended June 30, 2008, respectively. There was no balance outstanding under our revolving credit facility during the six months ended June 30, 2007.

This financing agreement contains a number of restrictions that limit our ability, among other things, to pledge our accounts receivable, inventory, trademarks and most of our other assets as security in other borrowings or transactions; pay dividends on stock; redeem or acquire any of our securities; sell certain assets; make certain investments; guaranty certain obligations of third parties; undergo a merger or consolidation; or engage in any activity materially different from those presently conducted by us.

If net availability under the financing agreement falls below certain thresholds as defined in the agreement, we would be required to maintain a certain leverage ratio and fixed charge coverage ratio as defined in the agreement. This financing agreement also provides the lenders with the ability to reduce the available revolving credit line amount under certain conditions even if we are in compliance with all conditions of the agreement. Our net availability as of June 30, 2008 was above the threshold for compliance with the financial covenants, and we were in compliance with all covenants as of June 30, 2008.

Long Term Debt

In March 2005, we entered into an agreement to finance the acquisition or lease of up to \$17.0 million in qualifying capital investments. Loans under this agreement are collateralized by a first lien on the assets acquired. The agreement is not a committed facility, with each advance under the agreement subject to the lender's approval. In March 2008, the lender agreed to increase the maximum financing under the agreement to \$37.0 million.

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In May 2008, we entered into an additional agreement to finance the acquisition or lease of up to \$40.0 million in qualifying capital investments. Loans under this additional agreement are collateralized by a first lien on the assets acquired. This additional agreement is not a committed facility, with each advance under the agreement subject to the lender's approval.

These agreements include a cross default provision whereby an event of default under other debt obligations, including the revolving credit facility agreement, will be considered an event of default under these agreements. At June 30, 2008 and December 31, 2007, the outstanding principal balance was \$23.9 million and \$13.4 million, respectively, under these agreements. The weighted average interest rate on outstanding borrowings was 6.0% and 6.6% for the three months ended June 30, 2008 and 2007, respectively, and 6.3% and 6.6% for the six months ended June 30, 2008 and 2007, respectively.

The following is a schedule of future principal and interest payments on long term debt as of June 30, 2008:

<i>(In thousands)</i>	June 30, 2008
July 1 - December 31, 2008	\$ 4,394
2009	8,041
2010	7,736
2011	3,888
2012 and thereafter	2,326
Total future payments on long term debt	26,385
Less amount representing interest	(2,493)
Total principal payments on long term debt	23,892
Less current maturities of long term debt	(7,359)
Long term debt obligations	<u>\$ 16,533</u>

Contractual Commitments and Contingencies

Within the normal course of business, we enter into contractual commitments in order to promote our brand and products. These commitments include sponsorship agreements with teams and athletes on the collegiate and professional levels, official supplier agreements, athletic event sponsorships and other marketing commitments. The following is a schedule of our future minimum payments under our sponsorship and other marketing agreements:

<i>(In thousands)</i>	June 30, 2008
July 1 - December 31, 2008	\$ 7,813
2009	19,683
2010	17,790
2011	14,249
2012 and thereafter	4,378
Total future minimum sponsorship and other marketing payments	<u>\$ 63,913</u>

The amounts listed above are the minimum obligations required to be paid under our sponsorship and other marketing agreements. The amounts listed above do not include additional incentives based on performance achievements while wearing or using our products and product supply obligations provided under some of these agreements. The other contractual commitments and contingencies included in our 2007 Form 10-K have not materially changed.

Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements or financing activities with special-purpose entities.

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Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. To prepare these financial statements, we must make estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates also affect our reported revenues and expenses. Judgments must be made about the disclosure of contingent liabilities as well. Actual results could be significantly different from these estimates.

Our significant accounting policies are described in Note 2 of the audited consolidated financial statements included in our 2007 Form 10-K. The SEC's Financial Reporting Release ("FRR") No. 60, *Cautionary Advice Regarding Disclosure About Critical Accounting Policies* ("FRR 60"), suggests companies provide additional disclosure on those accounting policies considered most critical. FRR 60 considers an accounting policy to be critical if it is important to our financial condition and results of operations and requires significant judgment and estimates on the part of management in its application. Our estimates are often based on complex judgments, probabilities and assumptions that management believes to be reasonable, but that are inherently uncertain and unpredictable. It is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts. For a complete discussion of our critical accounting policies, see the "Critical Accounting Policies" section of the MD&A in our 2007 Form 10-K. There have been no significant changes to our critical accounting policies during the first six months of 2008.

Recently Adopted Accounting Standards

In December 2007, the SEC issued Staff Accounting Bulletin ("SAB") No. 110, *Share-Based Payment* ("SAB 110"). SAB 110 amends SAB No. 107, *Share-Based Payment*, and allows for the continued use, under certain circumstances, of the "simplified method" in developing an estimate of the expected term on stock options accounted for under the Statement of Financial Accounting Standards ("SFAS") No. 123R, *Share-Based Payment (revised 2004)*. SAB 110 is effective for stock options granted after December 31, 2007. We continued to use the "simplified method" in developing an estimate of the expected term on stock options granted in the first six months of 2008. We do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time our shares of Class A Common Stock have been publicly traded.

In February 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115* ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. We adopted SFAS 159 in the first quarter of 2008 and did not choose to apply fair value accounting to any such assets or liabilities.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, however the FASB has delayed the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for nonfinancial assets and nonfinancial liabilities, except those items recognized or disclosed at fair value on an annual or more frequent basis. The adoption of SFAS 157 for financial assets and liabilities in the first quarter of 2008 did not have a material impact on our consolidated financial statements. We do not believe that the adoption of SFAS 157 for nonfinancial assets and nonfinancial liabilities will have a material impact on our consolidated financial statements. Refer to Note 7 of the consolidated financial statements for further information on fair value measurement.

Recently Issued Accounting Standards

In June 2008, the FASB issued the FASB Staff Position ("FSP") Emerging Issues Task Force ("EITF") No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* ("FSP EITF 03-6-1"). FSP EITF 03-6-1 requires that unvested stock-based compensation awards that

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contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) should be classified as participating securities and should be included in the computation of earnings per share pursuant to the two-class method as described by the SFAS No. 128, *Earnings per Share*. The provisions of FSP EITF 03-6-1 are required for fiscal years beginning after December 15, 2008. We are currently evaluating the impact of adopting FSP EITF 03-6-1 on our consolidated financial statements.

In June 2008, the FASB issued EITF Issue No. 07-5, *Determining Whether an Instrument (or an Embedded Feature) is Indexed to an Entity's Own Stock* ("EITF 07-5"). EITF 07-5 addresses the determination of whether provisions that introduce adjustment features (including contingent adjustment features) would prevent treating a derivative contract or an embedded derivative on a company's own stock as indexed solely to the company's stock. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the impact of adopting EITF 07-5 on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. The provisions of SFAS 161 are effective for the fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the impact of adopting SFAS 161 on our consolidated financial statement disclosures.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations (revised 2007)* ("SFAS 141R"). SFAS 141R replaces SFAS 141 and requires the acquirer of a business to recognize and measure the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at fair value. SFAS 141R also requires transaction costs related to the business combination to be expensed as incurred. SFAS 141R is effective for business combinations for which the acquisition date is on or after fiscal years beginning after December 15, 2008. We are currently evaluating the impact of adopting SFAS 141R on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51* ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the impact of adopting SFAS 160 on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Currency Exchange and Foreign Currency Risk Management and Derivatives

We currently generate a small amount of our consolidated net revenues in Canada and Europe. The reporting currency for our consolidated financial statements is the U.S. dollar. To date, net revenues generated outside of the United States have not been significant. As a result, we have not been impacted materially by changes in foreign currency exchange rates and do not expect to be impacted materially for the foreseeable future. However, as our net revenues generated outside of the United States increase, our results of operations could be adversely impacted by changes in foreign currency exchange rates. For example, if we recognize international sales in local foreign currencies (as we currently do in Canada and Europe) and if the U.S. dollar strengthens, it could have a negative impact on our international results upon translation of those results into the U.S. dollar upon consolidation of our financial statements. Adjustments that arise from foreign currency exchange rate changes on transactions denominated in a currency other than the local currency are included in other income (expense), net on the consolidated statements of income.

In August 2007, we began using foreign currency forward contracts to minimize some of the impact of foreign currency exchange rate fluctuations on future cash flows. We currently use foreign currency forward contracts to reduce the risk from exchange rate fluctuations on projected inventory purchases, inter-company

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payments and other working capital requirements for our Canadian subsidiary. We do not enter into derivative financial instruments for speculative or trading purposes. Based on the foreign currency forward contracts outstanding as of June 30, 2008, we receive US Dollars in exchange for Canadian Dollars at a weighted average contractual foreign currency exchange rate of 1.02 CAD per \$1.00. As of June 30, 2008, the notional value of our outstanding forward contracts was approximately \$13.9 million with maturities of 1 to 8 months. The foreign currency forward contracts are not designated as cash flow hedges, and accordingly, changes in their fair value are recorded in other income (expense), net on the consolidated statements of income. As of June 30, 2008, the fair value of our foreign currency forward contracts was \$0.1 million which are included in prepaid expenses and other current assets on the consolidated balance sheet.

Other income (expense), net included the following amounts related to changes in foreign currency exchange rates and derivative foreign currency forward contracts:

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Unrealized foreign currency exchange rate gains	\$ 57	\$ 887	\$ 180	\$ 992
Realized foreign currency exchange rate gains (losses)	(354)	279	(392)	279
Unrealized derivative gains (losses)	(190)	-	347	-
Realized derivative losses	(2)	-	(24)	-

Although we have entered into foreign currency forward contracts to minimize some of the impact of foreign currency exchange rate fluctuations on future cash flows, we cannot be assured that foreign currency exchange rate fluctuations will not have a material adverse impact on our financial condition and results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The following change occurred during the most recent fiscal quarter that materially affected or is reasonably likely to materially affect our internal control over financial reporting. We are in the process of implementing a new warehouse management system to replace our legacy warehouse management system. This system became operational in April 2008 and we are making appropriate changes to internal controls and procedures as the implementation progresses.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

The Risk Factors included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2007 have not materially changed.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

From May 1, 2008 through July 11, 2008, we issued 112.7 thousand shares of Class A Common Stock upon the exercise of previously granted stock options to employees at a weighted average exercise price of \$2.30 per share, for an aggregate amount of consideration of approximately \$259.6 thousand. The following issuances of Class A Common Stock were made on the dates indicated at exercise prices totaling the aggregate amount of consideration set forth in the following table:

<u>Date</u>	<u>Number of Shares Issued</u>	<u>Aggregate Amount of Exercise Price</u>
May 1, 2008	6,230	\$ 24,670
May 2, 2008	41,250	109,313
May 5, 2008	150	398
May 9, 2008	4,250	21,412
May 14, 2008	50	132
May 15, 2008	6,000	15,900
May 19, 2008	2,954	7,828
May 21, 2008	1,500	3,975
May 23, 2008	2,000	5,300
May 29, 2008	500	1,325
May 30, 2008	7,500	19,875
June 2, 2008	650	1,722
June 12, 2008	4,700	2,522
June 13, 2008	200	530
July 1, 2008	10,000	21,100
July 2, 2008	14,750	2,459
July 11, 2008	10,000	21,100
	<u>112,684</u>	<u>\$ 259,561</u>

The issuances of securities described above were made in reliance upon Section 4(2) under the Securities Act in that any issuance did not involve a public offering or under Rule 701 promulgated under the Securities Act, in that they were offered and sold either pursuant to written compensatory plans or pursuant to a written contract relating to compensation, as provided by Rule 701.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's 2008 Annual Meeting of Stockholders was held on May 6, 2008.

The stockholders elected the following nominees to the Company's Board of Directors to serve for the coming year and until their successors are elected and qualify. The following shows the separate tabulation of votes for each nominee:

Director	Number of Votes	
	For	Withheld
Kevin A. Plank	158,031,260	249,928
Byron K. Adams, Jr.	158,088,230	192,958
Douglas E. Coltharp	158,117,350	163,838
A.B. Krongard	158,128,355	152,833
William R. McDermott	148,601,895	9,679,293
Harvey L. Sanders	158,077,015	204,173
Thomas J. Sippel	158,134,578	146,610

The stockholders approved the New Executive Annual Incentive Plan. There were 156,983,667 affirmative votes, 1,202,820 negative votes and 94,697 abstentions.

The stockholders approved the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2008. There were 158,172,247 affirmative votes, 55,139 negative votes and 53,797 abstentions.

ITEM 6. EXHIBITS

<u>Exhibit No.</u>	
10.01	Employee Confidentiality, Non-Competition and Non-Solicitation Agreement by and between David McCreight and the Company
10.02	Form of Performance-Based Stock Option Grant Agreement under the 2005 Omnibus Long-Term Incentive Plan
10.03	Restricted Stock Grant Agreement between the Company and David McCreight
10.04	First Amendment dated June 4, 2008 to the office lease by and between 1450 Beason Street LLC and the Company dated December 14, 2007
31.01	Section 302 Chief Executive Officer Certification
31.02	Section 302 Chief Financial Officer Certification
32.01	Section 906 Chief Executive Officer Certification
32.02	Section 906 Chief Financial Officer Certification

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNDER ARMOUR, INC.

By: /s/ BRAD DICKERSON
Brad Dickerson
Chief Financial Officer

Dated: August 6, 2008

**EMPLOYEE CONFIDENTIALITY, NON-COMPETITION, AND
NON-SOLICITATION AGREEMENT**

This Confidentiality, Non-Competition, and Non-Solicitation Agreement (“Agreement”) is entered into this 25th day of June, 2008, by and between **Under Armour, Inc.** (together with its affiliates, the “Company”) and David McCreight (“Employee”).

EXPLANATORY NOTE

The Employee has been offered the position of President of the Company pursuant to a negotiated offer letter of employment dated June 25, 2008 (the “Offer Letter”). The Employee recognizes that the Employee has had or will have access to confidential proprietary information during the course of his or her employment and that the Employee’s subsequent employment with a Competitor Business, as defined in Section 3, would inevitably result in the disclosure of that information and, thereby, create unfair competition and would likely cause substantial loss and harm to the Company. The Employee further acknowledges that employment with the Company is based on the Employee’s agreement to abide by the covenants contained herein.

NOW THEREFORE, in consideration of Employee’s employment with the Company and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidentiality . Employee acknowledges Employee’s fiduciary duty and duty of loyalty to the Company. Further, Employee acknowledges that the Company, in reliance on this Agreement, will provide Employee access to trade secrets, customers, proprietary data and other confidential information. Employee agrees to retain said information as confidential and not to use said information for the Employee’s personal benefit or to disclose same to any third party, except when required to do so to properly perform duties to the Company. Further, as a condition of employment, during the time Employee is employed by the Company and continuing after any termination of the Employee’s employment with the Company, Employee agrees to protect and hold in a fiduciary capacity for the benefit of the Company all Confidential Information, as defined below, unless the Employee is required to disclose Confidential Information pursuant to the terms of a valid and effective order issued by a court of competent jurisdiction or a governmental authority. The Employee shall use Confidential Information solely for the purpose of carrying out those duties assigned Employee as an employee of the Company and not for any other purpose. The disclosure of Confidential Information to the Employee shall not be construed as granting to the Employee any license under any copyright,

trade secret, or any right of ownership or right to use the Confidential Information whatsoever. In the event that Employee is compelled, pursuant to a subpoena or order of a court or other body having jurisdiction over such matter, to produce any Confidential Information or other information relevant to the Company, Employee agrees to promptly provide the Company with written notice of such subpoena or order so that the Company may timely move to quash if appropriate.

(a) For the purposes of this Agreement, "Confidential Information" shall mean all information related to the Company's business that is not generally known to the public. Confidential Information shall include, but shall not be limited to: any financial (whether historical, projections or forecasts), pricing, cost, business, planning, operations, services, potential services, products, potential products, technical information, intellectual property, trade secrets and/or know-how, formulas, production, purchasing, marketing, sales, personnel, customer, supplier, or other information of the Company; any papers, data, records, processes, methods, techniques, systems, models, samples, devices, equipment, compilations, invoices, customer lists, or documents of the Company; any confidential information or trade secrets of any third party provided to the Company in confidence or subject to other use or disclosure restrictions or limitations; this Agreement and its terms; and any other information, written, oral or electronic, whether existing now or at some time in the future, whether pertaining to current or future developments or prospects, and whether accessed prior to the Employee's tenure with the Company or to be accessed during Employee's future employment or association with the Company, which pertains to the Company's affairs or interests or with whom or how the Company does business. The Company acknowledges and agrees that Confidential Information shall not include information which is or becomes publicly available other than as a result of a disclosure by the Employee.

(b) The Employee shall promptly notify the Company if he or she has reason to believe that the unauthorized use, possession, or disclosure of any Confidential Information has occurred or may occur.

(c) All physical items containing Confidential Information, including, but not limited to, the business plan, know-how, collection methods and procedures, advertising techniques, marketing plans and methods, sales techniques, documentation, contracts, reports, letters, notes, any computer media, customer lists and all other information and materials of the Company's business and operations, shall remain the exclusive and confidential property of the Company and shall be returned, along with any copies or notes that the Employee made thereof or therefrom, to the Company when the Employee ceases employment with the Company. The Employee further agrees to return copies of any Confidential Information contained on Employee's home computer, portable computer or other similar device. Employee also agrees to

allow the Company, upon reasonable notice and for just cause, access to any home computer, portable computer or other similar device maintained by Employee, including but not limited to, for the purpose of determining whether said Confidential Information has been misappropriated. The Employee further agrees to promptly return all other property belonging to the Company upon the termination of Employee's employment.

2. Ownership of Works for Hire.

(a) The Employee agrees that any inventions, ideas, developments, methods, improvements, discoveries, innovations, software, works of authorship and any other intangible property (hereinafter collectively referred to as "Intellectual Property"), whether patentable or not, which are developed, partially developed, considered, contemplated or reduced to practice by the Employee or under his or her direction or jointly with others during his or her employment with the Company, whether or not during normal working hours or on the premises of the Company, shall be considered "Works for Hire" for the exclusive use and benefit of the Company. The Employee will make full and prompt disclosure to the Company of all such Works for Hire. The Company shall own all rights to any Works for Hire, including all copyrights and the right to market (or not to market) any such property, and the Employee agrees to assign and does hereby assign to the Company (or any person or entity designated by the Company) all his or her right, title and interest in and to all Works for Hire and all related patents, patent applications, copyrights and copyright applications.

(b) The Employee agrees to cooperate fully with the Company, both during and after his or her employment with the Company, with respect to the procurement, maintenance and enforcement of copyrights and patents (both in the United States and foreign countries) relating to Works for Hire. The Employee shall sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignment of priority rights, and powers of attorney, which the Company may deem necessary or desirable in order to protect its rights and interests in any Works for Hire.

(c) The Employee specifically acknowledges that his or her compensation and benefits constitute full payment for any Works for Hire and waives any claim of right to the Company.

(d) The Company may, at its election and discretion, waive and/or relinquish any of its rights of ownership and royalties with respect to any Works for Hire, by agreeing to do so in a written instrument executed by the Company.

3. Non-Competition . Except as otherwise provided in this Agreement, without the prior written consent of the Company, the Employee hereby covenants and agrees that at no time

during the Employee's employment with Company and for a period of one (1) year immediately following termination of Employee's employment with the Company, whether voluntary or involuntary, shall the Employee:

(a) directly or indirectly, as an employee, principal, agent, consultant or otherwise, work for or engage in any capacity in any activities or provide strategic advice to Competitor Businesses. The term Competitor Businesses shall be defined as any business that competes with the Company in the athletic apparel, footwear or accessories business (for example, and not by way of limitation, Competitor Business includes Nike, Reebok, Adidas or Puma or other athletic brands or athletic retailers, but does not include Wal-Mart, Macy's or L.L.Bean as they currently operate), or any other line of business that the Company is or hereafter becomes involved in during the Employee's employment with the Company; or

(b) act in any way, directly or indirectly, with the purpose or effect of diverting or taking away any business, customer, client or any supplier of the Company.

Written request for consent to be released from the Non-Competition provisions of this Agreement may be submitted by the Employee to the Company following the termination of Employee's employment and must include all available information described in Section 5 below. The Company will respond to the request for such consent within two (2) weeks of the request, except as provided in Section 5. In the Company's sole discretion, it may release Employee from the Non-Competition provisions of this Agreement, or reduce the non-competition period from a period of one (1) year immediately following Employee's termination to a shorter duration ("Non-Competition Period"), or amend the scope of the Non-Competition provisions. In the event the Company does not release the Employee from the Non-Competition provision, for the duration of the Non-Competition Period, the Company will pay Employee an amount equal to sixty percent (60%) of Employee's base salary as of the date of the termination of Employee's employment ("Non-Competition Payment"), in accordance with the Company's customary pay practices in effect at the time each payment is made. The Non-Competition Payment shall be reduced by the amount of any salary received during the Non-Competition Period from employment in any capacity with an entity that is not a Competitor Business to the extent that any such salary exceeds forty percent (40%) of Employee's base salary as of the date of Employee's termination from employment with the Company (annualized or pro-rated to correspond to the Non-Competition Period). By way of example, assuming that the Non-Competition Period is six (6) months and that Employee's base salary as of the termination date is \$100,000, the Non-Competition Payment would not be reduced pursuant to subsection (b) herein so long as any salary received during the Non-Competition Period by Employee from an entity that is not a Competitor Business remained under \$20,000.

4. Non-Solicitation and Non-Interference. The Employee hereby covenants and agrees that at no time during the Employee's employment with Company and for a period of one (1) year immediately following termination of Employee's employment with the Company, whether voluntary or involuntary, shall the Employee:

(a) solicit (other than on behalf of the Company) business or contracts for any products or services of the type provided, developed or under development by the Company during the Employee's employment by the Company, from or with any person or entity which was a customer of the Company for such products or services, or any prospective customer which the Company had solicited as of, or within one (1) year prior to, the Employee's termination of employment with the Company; or directly or indirectly contract with any such customer or prospective customer for any product or service of the type provided, developed or which was under development by the Company during the Employee's employment with the Company; or

(b) knowingly interfere or attempt to interfere with any transaction, agreement or business relationship in which the Company was involved during the Employee's employment with the Company, nor will the Employee directly or indirectly, whether on behalf of himself or any other person or entity, solicit, recruit or encourage any employee to leave the employ of the Company, nor will Employee hire any employees of the Company, its divisions or its subsidiaries.

5 . Notification of New Employment . If Employee requests the Company to waive its rights to enforce the noncompetition provisions of Paragraph 3, Employee acknowledges and agrees that for a period of one (1) year following the date of termination of Employee's employment with the Company, Employee will inform the Company, prior to the acceptance of any job or any work as an independent contractor, of the identity of any new employer or other entity to which Employee is providing consulting or other services, along with Employee's starting date, title, job description, and any other information which the Company may reasonably request to confirm Employee's compliance with the terms of this Agreement. If Employee does not provide all information reasonably requested by the Company as provided in this Section, the Company's time to respond to a request for release from the Non-Competition provision under Section 3 will be extended to six (6) weeks, or until such time as the information is provided for the Company to make an informed decision.

6. Additional Compensation if Termination By Company Without Cause or By Employee For Good Cause. In the event the Company terminates Employee's employment without Cause (as defined below), or if Employee terminates his employment for Good Cause

(as defined below), and provided Employee first signs within 60 days of the date of his termination and does not revoke a general release of claims against the Company in a form provided by the Company (“Release”), the Company agrees that it will pay Employee an amount equal to one (1) year of Employee’s base salary as in effect on the date of termination, less required withholdings, payable over the course of one (1) year in accordance with the Company’s regular pay practices, beginning the first regular pay period after the effective date of the Release. Notwithstanding the foregoing, the Company may not withhold the additional compensation promised by this Paragraph on the grounds that Employee has not signed a general release of claims if Employee has not theretofore been provided with all salary and benefits owed to him for services performed as of the date of his termination, as well as any remaining benefits or sums owed to Employee under his Offer Letter. The amount paid under this Section 6 will be reduced by any amount paid to Employee under Section 3. The Company shall have no obligation to make or continue to make any payment under this Section if Employee has materially breached any of his obligations under this Agreement. Nothing in this Agreement changes the “at-will” nature of Employee’s employment with the Company.

As used in this Agreement, “Cause” for Employee’s termination means the occurrence of any of the following: (a) the Employee’s material and intentional misconduct or material neglect in the performance of his duties; (b) conviction for, or plea of nolo contendere to, any felony, or a misdemeanor (excluding a petty misdemeanor) involving dishonesty, fraud, financial impropriety, or moral turpitude, or any crime of sufficient import to potentially discredit or adversely affect the Company’s ability to conduct its business in the normal course; (c) the Employee’s use of illegal drugs; (d) the Employee’s material breach of the Company’s written Code of Ethics and Business Conduct, as in effect from time to time; (e) the Employee’s commission of any act that results in severe harm to the Company excluding any act taken by the Employee in good faith that he reasonably believed was in the best interests of the Company; (f) the Employee’s material breach of this Agreement, after providing notice and a reasonable opportunity to cure; or (g) the Employee’s failure to use reasonable efforts to relocate to the Baltimore, Maryland area within the first 6 months of his employment with the Company.

As used in this Agreement, “Good Cause” for Employee to terminate his employment means (a) a material diminution in Employee’s duties, responsibilities or authority or (b) a material reduction in the Employee’s salary, bonus potential or benefits as set forth in the Offer Letter, other than any reduction in salary, bonus potential or benefits generally applied to other peer executives of the Company. Neither event described above shall constitute Good Cause unless Employee has given written notice to the Company of the existence of the event within 90

days after the initial occurrence of such event and the Company has not remedied such within 30 days of receipt of such notice.

7. Reasonableness of Restrictions. Employee acknowledges and agrees that the restrictions imposed by this Agreement are fair and reasonably required for the protection of the Company, and will not preclude Employee from becoming gainfully employed following the termination, for any reason, of employment with the Company. The Employee acknowledges that Employee will provide unique services to the Company and that this covenant has unique, substantial, and immeasurable value to the Company. In the event that the provisions of this Agreement should ever be deemed to exceed the limitations permitted by applicable laws, Employee and the Company agree that such provisions shall be reformed to the maximum limitations permitted by the applicable laws. The Employee further acknowledges that the decision whether to consent to release Employee from the provisions of this Agreement is within the sole discretion of the Company.

8. Injunctive Relief. Employee acknowledges and agrees that in the event of a violation or threatened violation of any provision of this Agreement, the Company will sustain irreparable harm and will have the full right to seek injunctive relief, in addition to any other legal remedies available, without the requirement of posting bond.

9. Survivability. This Agreement shall remain binding in the event of the termination, for any reason, of Employee's employment with the Company.

10. Governing Law. The formation, construction and interpretation of this Agreement shall at all times and in all respects be governed by the laws of the State of Maryland, without regard to its conflict of laws principles.

11. Severable Provisions. The provisions of this Agreement are severable, and if any court determines that any provision of this Agreement is invalid or unenforceable, in whole or in part, any invalidity or unenforceability shall affect only that provision, and shall not make any other provision of this Agreement invalid or unenforceable; and this Agreement shall be narrowed by the court to the extent required to be valid and enforceable.

12. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter contained herein, and may not be modified except in a written document signed by each of the parties hereto. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any other breach of that or any other provision hereof.

13. Compliance with Section 409A of the Code. This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and will be interpreted in a manner intended to comply with Section 409A of the Code. Each payment made under Sections 3 and 6 of this Agreement shall be designated as a “separate payment” within the meaning of Section 409A of the Code. Notwithstanding anything herein to the contrary, (i) if at the time of termination of employment, Employee is a “specified employee”, as determined in accordance with procedures adopted by the Company that reflect the requirements of Section 409A(a)(2)(B)(i) of the Code (and any applicable guidance thereunder) and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary to comply with Section 409A of the Code (after giving effect to all relevant exceptions including the exception for amounts qualifying as “short term deferrals”), then the Company shall defer the commencement of payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided) and accumulate such amounts with interest at a reasonable rate until the first day of the seventh month following the termination of the employment (or, if earlier, the date of the Employee’s death) at which time the accumulated amounts with interest shall be paid; and (ii) if any other payments of money or other benefits due to Employee hereunder could result in a violation of Section 409A of the Code, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company, that does not cause such a violation.

IN WITNESS WHEREOF , the parties have executed the Agreement as of the date first above written.

UNDER ARMOUR, INC.

By: /s/ Wayne A. Marino
Name: Wayne A. Marino
Title: Chief Operating Officer

WITNESS:

[left blank]

/s/ David McCreight
David McCreight

FORM OF OPTION GRANT AGREEMENT

THIS OPTION GRANT AGREEMENT, made as of the ___ day of _____, 2008 between UNDER ARMOUR, INC. (the “*Company*”) and _____ (the “*Grantee*”).

WHEREAS, the Company has adopted and maintains the 2005 Omnibus Long-Term Incentive Plan (the “*Plan*”), attached hereto as Attachment A, or otherwise delivered or made available to Grantee, to promote the interests of the Company and its stockholders by providing key employees and others with an appropriate incentive to encourage them to continue in the employ or service of the Company and to improve the growth and profitability of the Company;

WHEREAS, the Plan provides for the grant to Grantees of Options to purchase Stock of the Company;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. *Grant of Options* . Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Grantee a non-qualified stock option (the “*Option*”) with respect to _____ shares of Stock of the Company.

2. *Grant Date* . The Grant Date of the Option hereby granted is _____, 2008.

3. *Incorporation of Plan* . All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Option Grant Agreement, the terms and conditions of this Option Grant Agreement, as interpreted by the Committee in its sole discretion, shall govern, unless explicitly provided to the contrary in the Plan or this Option Grant Agreement. Unless otherwise indicated herein, all capitalized terms used herein shall have the meaning given to such terms in the Plan.

4. *Option Price* . The exercise price per share of Stock underlying the Option granted hereby is \$ ____.

5. *Vesting* . Except as provided in Section 9 and unless the Option has earlier terminated pursuant to this Agreement, the Option shall become exercisable as follows provided the Grantee remains employed by the Company on each such date:

(a) 25% of the shares of Stock underlying the Option shall become exercisable following the year in which the Operating Income for the Company is at least equal to \$ _____ million (provided such year is no later than _____), with one-half of the shares of Stock exercisable on February 15th of the year following the year in which such Operating Income level is achieved and one-half of the shares of Stock exercisable on February 15th of the second year following the year in which such Operating Income level is achieved;

(b) 25% of the shares of Stock underlying the Option shall become exercisable following the year in which the Operating Income for the Company is at least equal to \$ _____ million (provided such year is no later than _____), with one-half of the shares of Stock exercisable on February 15th of the year following the year in which such Operating Income level is achieved and

one-half of the shares of Stock exercisable on February 15th of the second year following the year in which such Operating Income level is achieved;

(c) 25% of the shares of Stock underlying the Option shall become exercisable following the year in which the Operating Income for the Company is at least equal to \$ _____ million (provided such year is no later than _____), with one-half of the shares of Stock exercisable on February 15th of the year following the year in which such Operating Income level is achieved and one-half of the shares of Stock exercisable on February 15th of the second year following the year in which such Operating Income level is achieved; and

(d) 25% of the shares of Stock underlying the Option shall become exercisable following the year in which the Operating Income for the Company is at least equal to \$ _____ million (provided such year is no later than _____), with all of the shares of Stock exercisable on February 15th of the year following the year in which such Operating Income level is achieved.

As used in this Section 5, the term "Operating Income" shall mean the Company's income from operations as reported in the Company's audited financial statements prepared in accordance with generally accepted accounting principles excluding the impact of any generally accepted accounting principle changes implemented after the date hereof.

6. Term . Unless the Option has earlier terminated pursuant to the provisions of this Option Grant Agreement or the Plan, all unexercised portions of the Option shall terminate, and all rights to purchase shares of stock thereunder shall cease, upon the expiration of ten years from the Grant Date.

7. Employment Confidentiality Agreement. As a condition to the grant of the Option, Grantee shall have executed and become a party to the Employee Confidentiality, Non-Competition and Non-Solicitation Agreement by and between Grantee and the Company (the "Confidentiality, Non-Compete and Non-Solicitation Agreement") attached hereto as Attachment B.

8. Forfeiture. If Grantee should take any actions in violation of the Confidentiality, Non-Competition and Non-Solicitation Agreement, or in violation of any non-competition agreement entered into between the Grantee and the Company, it will be considered grounds for termination for Cause as defined in Section 9(a) of this Agreement, and all unexercised portions of the Option, whether vested or not, will terminate, be forfeited and will lapse, as provided in Section 9(a).

9. Termination of Service.

(a) **Termination of Service for Cause.** Unless the Option has earlier terminated pursuant to the provisions of this Option Grant Agreement or the Plan, all unexercised portions of the Option, whether vested or unvested, will terminate and be forfeited upon a termination of the Grantee's Service for Cause. For purposes of this Option Grant Agreement only, "Cause" shall be defined as any of the following:

- i. the Grantee's material misconduct or neglect in the performance of his duties;
- ii. the Grantee's conviction for, or plea of nolo contendere to any felony, or a misdemeanor (excluding a petty misdemeanor) involving dishonesty, fraud, financial impropriety, or moral turpitude, or any crime of sufficient import to potentially discredit or adversely affect the Company's ability to conduct its business in the normal course;
- iii. the Grantee's use of illegal drugs;

-
- iv. the Grantee's material breach of the Company's written Code of Ethics and Business Conduct, as in effect from time to time;
 - v. the Grantee's material breach of this Agreement, including but not limited to breach of the Confidentiality, Non-Compete and Non-Solicitation Agreement attached hereto as Attachment B; or
 - vi. Grantee's commission of any act that results in severe harm to the Company excluding any act taken by the Grantee in good faith that he reasonably believed was in the best interest of the Company.

(b) Termination of Service other than for Cause. Unless the Option has earlier terminated pursuant to the provisions of this Option Grant Agreement or the Plan, the vested portion of the Option shall terminate one hundred eighty (180) days following the termination of the Grantee's Service due to death or Disability and thirty (30) days following the termination of the Grantee's Service for any other reason other than for Cause. The Grantee (or the Grantee's guardian, legal representative, executor, personal representative or the person to whom the Option shall have been transferred by will or the laws of descent and distribution, as the case may be) may exercise all or any part of the vested portion of the Option during such post termination of employment period, but not later than the end of the term of the Option. Any portion of the Option which is unvested as of the date of termination of service shall immediately terminate.

Nothing in this Agreement shall be construed as a contract of employment between the Company (or an affiliate) and Grantee, or as a contractual right of Grantee to continue in the employ of the Company (or an affiliate), or as a limitation of the right of the Company (or an affiliate) to discharge Grantee at any time for any reason, including reasons other than for Cause as defined herein.

10. Effect of a Change in Control. In the event of a Change in Control, any portion of the Option which would become vested within the twelve months following the effective date of such Change in Control had the Grantee remained employed with the Company during such twelve month period shall be immediately vested on such Change in Control.

11. Delays or Omissions . No delay or omission to exercise any right, power or remedy accruing to any party hereto upon any breach or default of any party under this Option Grant Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Option Grant Agreement, or any waiver on the part of any party or any provisions or conditions of this Option Grant Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

12. Transferability of Options . During the lifetime of the Grantee, only the Grantee or a Family Member who received all or part of the Option, not for value, (or, in the event of legal incapacity or incompetence, the Grantee's guardian or legal representative) may exercise the Option. The Option shall not be assignable or transferable by the Grantee other than to a Family Member, not for value, or by will or the laws of descent and distribution.

13. Manner of Exercise. The vested portion of the Option may be exercised, in whole or in part, by delivering written notice to the Stock Option Administrator designated by the Company. Such notice may be in electronic or other form as used by the Stock Option Administrator in its ordinary course of business and as may be amended from time to time, and shall:

(a) state the election to exercise the Option and the number of shares in respect of which it is being exercised;

(b) be accompanied by (i) cash, check, bank draft or money order in the amount of the Option Price payable to the order of the Stock Option Administrator designated by the Company; or (ii) certificates for shares of the Company's Stock (together with duly executed stock powers) or other written authorization as may be required by the Company to transfer shares of such Stock to the Company, with an aggregate value equal to the Option Price of the Stock being acquired; or (iii) a combination of the consideration described in clauses (i) and (ii). Grantee may transfer Stock to pay the Option Price for Stock being acquired pursuant to clauses (ii) and (iii) above only if such transferred Stock (x) was acquired by the Grantee in open market transactions, (y) has been owned by Grantee for longer than six months, and (z) the Grantee is not subject to any other restrictions on transferring Company securities pursuant to Company policy or federal law.

In addition to the exercise methods described above and subject to other restrictions which may apply, the Grantee may exercise the Option through a procedure known as a "cashless exercise," whereby the Grantee delivers to the Stock Option Administrator designated by the Company an irrevocable notice of exercise in exchange for the Company issuing shares of the Company's Stock subject to the Option to a broker previously designated or approved by the Company, versus payment of the Option Price by the broker to the Company, to the extent permitted by the Committee or the Company and subject to such rules and procedures as the Committee or the Company may determine.

14. Integration . This Option Grant Agreement, and the other documents referred to herein or delivered pursuant hereto, which form a part hereof contain the entire understanding of the parties with respect to its subject matter and there are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth in such documents. This Option Grant Agreement and the Plan supersede all prior agreements and understandings between the parties with respect to its subject matter.

15. Electronic Delivery . The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant Grantee agrees that the Company may deliver the Plan prospectus and the Company's annual report to Grantee in an electronic format. If at any time Grantee would prefer to receive paper copies of these documents, as Grantee is entitled to receive, the Company would be pleased to provide copies. Grantee should contact _____ to request paper copies of these documents.

16. Counterparts . This Option Grant Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

17. Governing Law . This Option Grant Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maryland without regard to the provisions thereof governing conflict of laws.

18. Grantee Acknowledgment . The Grantee hereby acknowledges receipt of a copy of the Plan and that the Option is subject to the terms of the Plan. The Participant hereby acknowledges that all decisions, determinations and interpretations of the Committee in respect of the Plan, this Option Grant Agreement and the Option shall be final and conclusive.

IN WITNESS WHEREOF, the Company has caused this Option Grant Agreement to be duly executed by its duly authorized officer and said Participant has hereunto signed this Option Grant Agreement on his own behalf, thereby representing that he has carefully read and understands this Option Grant Agreement and the Plan as of the day and year first written above.

UNDER ARMOUR, INC.

By: _____

WITNESS:

GRANTEE

RESTRICTED STOCK GRANT AGREEMENT

THIS AGREEMENT, made as of this 24th day of July, 2008, (the “Agreement”) between UNDER ARMOUR, INC. (the “Company”) and David McCreight (the “Grantee”).

WHEREAS, the Company has adopted the 2005 Omnibus Long-Term Incentive Plan (the “Plan”), attached hereto as Attachment A, or otherwise delivered or made available to Grantee, to promote the interests of the Company and its stockholders by providing the Company’s key employees and others with an appropriate incentive to encourage them to continue in the employ of the Company and to improve the growth and profitability of the Company; and

WHEREAS, the Plan provides for the grant to Grantees in the Plan of restricted shares of Stock of the Company;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Investment. The Grantee represents that the shares of Restricted Stock (as defined herein) are being acquired for investment and not with a view toward the distribution thereof.

2. Grant of Restricted Stock. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Grantee an Award of 138,265 shares of Stock of the Company (collectively, the “Restricted Stock”). The Purchase Price for the Restricted Stock shall be paid by the Grantee’s services to the Company.

3. Grant Date. The Grant Date of the Restricted Stock hereby granted is July 24, 2008.

4. Incorporation of the Plan. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of this Agreement, as interpreted by the Board, or a Committee thereof, shall govern. Unless otherwise indicated herein, all capitalized terms used herein shall have the meanings given to such terms in the Plan.

5. Vesting Date. The Restricted Stock award shall vest as to 50% of the shares on August 15, 2009, as to 25% of the shares on August 15, 2010, as to 12.5% of the shares on August 15, 2011, and as to 12.5% of the shares on August 15, 2012; provided that the Grantee remains continuously employed by the Company through each such applicable vesting date. Notwithstanding the foregoing, (i) in the event that the Grantee’s employment is terminated on account of the Grantee’s death or Disability at any time, all unvested shares of Restricted Stock not previously forfeited shall immediately vest on such date of termination, (ii) in the event of a Change in Control, all unvested shares of Restricted Stock not previously forfeited shall vest on such Change in Control, and (iii) in the event that the Grantee’s employment is terminated by the Company without Cause prior to August 15, 2010, any Restricted Stock that would have vested within one year after the date of such termination of employment shall vest on the date of such termination of employment. For purposes of this Section 5, “Cause” shall be defined as any of the following: (a) the Grantee’s material misconduct or neglect in the performance of his duties; (b) the Grantee’s conviction for, or plea of nolo contendere to any felony, or a misdemeanor (excluding a petty misdemeanor) involving dishonesty, fraud, financial impropriety, or moral turpitude, or any crime of sufficient import to potentially discredit or adversely affect the Company’s ability to conduct its business in the normal course; (c) the Grantee’s use of illegal drugs; (d) the Grantee’s material breach of the Company’s written Code of Ethics and Business Conduct, as in effect from time to time; (e) the Grantee’s material breach of this Agreement, including but not limited to breach of the Confidentiality, Non-Compete and Non-Solicitation Agreement attached hereto as Attachment B; or (f) Grantee’s commission of any act that results

in severe harm to the Company excluding any act taken by the Grantee in good faith that he reasonably believed was in the best interest of the Company.

Notwithstanding the foregoing, if the shares of stock would otherwise vest during a period in which Grantee is (i) subject to a lock-up agreement restricting Grantee's ability to sell the shares in the open market or (ii) restricted from selling the shares in the open market because Grantee is not then eligible to sell under the Company's insider trading or similar plan as then in effect (whether because a trading window is not open or Grantee is otherwise restricted from trading), delivery of the shares will be delayed until the first date on which Grantee is no longer prohibited from selling the shares due to a lock-up agreement or insider trading or similar plan restriction.

With respect to the shares of Restricted Stock that vest on August 15, 2009 and provided Grantee continues to be employed by the Company, Grantee will not sell or otherwise transfer the shares prior to August 15, 2010; provided, however, that Grantee may sell the number of shares necessary to pay the minimum withholding or other taxes that may be due as a result of vesting of the Restricted Stock.

6. Forfeiture. Subject to the provisions of the Plan and Section 5 of this Agreement, with respect to the shares of Restricted Stock which have not become vested on the date the Grantee's employment is terminated, the Award of Restricted Stock shall expire and such unvested shares of Restricted Stock shall immediately be forfeited on such date.

7. Employment Confidentiality Agreement. As a condition to the grant of the Restricted Stock, Grantee shall have executed and become a party to the Employee Confidentiality, Non-Competition and Non-Solicitation Agreement by and between Grantee and the Company (the "Confidentiality, Non-Compete and Non-Solicitation Agreement") attached hereto as Attachment B.

8. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach or default thereafter occurring nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

9. Integration. This Agreement and the Plan contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein and in the Plan. This Agreement and the Plan supersede all prior agreements and understandings between the parties with respect to its subject matter.

10. Withholding Taxes. Grantee agrees, as a condition of this grant, that Grantee will make acceptable arrangements to pay any withholding or other taxes that may be due as a result of vesting of the Restricted Stock. In the event that the Company determines that any federal, state, local, municipal or foreign tax or withholding payment is required relating to the vesting of the Restricted Stock, the Company shall have the right to require such payments from Grantee in the form and manner as provided in the Plan.

11. Electronic Delivery. The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant Grantee agrees that the Company

may deliver the Plan prospectus and the Company's annual report to Grantee in an electronic format. If at any time Grantee would prefer to receive paper copies of these documents, as Grantee is entitled to receive, the Company would be pleased to provide copies. Grantee should contact the stock plan administrator to request paper copies of these documents.

12. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

13. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maryland, without regard to the provisions governing conflict of laws.

14. Grantee Acknowledgment. The Grantee hereby acknowledges receipt of a copy of the Plan. The Grantee hereby acknowledges that all decisions, determinations and interpretations of the Board, or a Committee thereof, in respect of the Plan, this Agreement and this Award of Restricted Stock shall be final and conclusive.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer and said Grantee has hereunto signed this Agreement on the Grantee's own behalf, thereby representing that the Grantee has carefully read and understands this Agreement and the Plan as of the day and year first written above.

UNDER ARMOUR, INC.

By: /s/ Wayne A. Marino

WITNESS:

GRANTEE

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/s/ David McCreight

FIRST AMENDMENT TO OFFICE LEASE

THIS FIRST AMENDMENT TO OFFICE LEASE dated as of the 4th day of June, 2008, by and between 1450 BEASON STREET LLC, a Maryland limited liability company (the "Landlord") and UNDER ARMOUR, INC., a Maryland corporation (the "Tenant").

RECITALS:

WHEREAS , Landlord and Tenant entered into an Office Lease dated December 14, 2007 (the "Lease") for the lease of space in the "Building" (as defined in the Lease, The Overflo Building located at 1450 Beason Street, Baltimore, Maryland); and

WHEREAS , Landlord and Tenant now desire to modify certain terms and conditions set forth in the Lease as provided hereinafter.

NOW, THEREFORE , in consideration of the foregoing and of other consideration, the receipt and adequacy of which is acknowledged, the Landlord and Tenant mutually agree as follows:

1. Revised Schedule of Deliveries . Exhibit E to the Lease is hereby deleted and replaced with the new Exhibit E attached hereto. The dates in such revised Exhibit E shall supersede the estimated delivery dates set forth in Section 2.1 of the Lease.

2. Special Termination . Tenant acknowledges that Tenant has received a copy of an executed commitment from Manufacturers and Traders Trust Company to provide financing, pursuant to Section 17.6 of the Lease. Tenant agrees that the condition set forth in Section 17.6 shall be deemed satisfied upon closing of the loan thereunder, in which event Section 17.6 shall be of no further force or effect.

3. Miscellaneous . This Amendment may be executed in counterparts which together shall be construed as a single document. The Lease, as amended by this Amendment , is hereby ratified and confirmed and shall continue in full force and effect.

[signatures on following page]

WITNESS OUR HANDS as of the day and year first above-written.

WITNESS or ATTEST:

LANDLORD:

1450 BEASON STREET LLC,
a Maryland limited liability company

_____ [left blank]

By: /s/ Carl W. Stuever (SEAL)
Name: Carl W. Stuever
Title: Member

WITNESS or ATTEST:

TENANT:

UNDER ARMOUR, INC.,
a Maryland corporation

_____ /s/ John Stanton

By: /s/ J. Scott Plank (SEAL)
Name: J. Scott Plank
Title: Senior Vice President – Retail

For the purposes described in Section 21.16 of the Lease, as amended hereby.

WITNESS or ATTEST:

GUARANTOR :

STRUEVER BROS. ECCLES & ROUSE, INC.,
a Maryland corporation

_____ [left blank]

By: /s/ Carl W. Stuever (SEAL)
Name: Carl W. Stuever
Title: President

Exhibit E - Schedule of Deliveries

Landlord Deliveries

	<u>Responsible Party</u>	<u>Re-Start Date</u>	<u>Completion Date</u>
Phase One Office - from start of work to TCO	SBER	June 1, 2008	September 30, 2008
Soft Turnover to Tenant of Phase One Office for FFE- Note 1	SBER		August 31, 2008
Phase One Showroom - from start of work to TCO	SBER	June 1, 2008	September 30, 2008
Soft Turnover to Tenant of Phase One Showroom for FFE- Note 1	SBER		August 31, 2008
Phase Two Office - Simultaneous start with Phase One to TCO	SBER	June 1, 2008	December 31, 2008
Soft Turnover to Tenant of Phase Two Office for FFE- Note 1	SBER		November 30, 2008
Phase Three - from start of work to TCO	SBER	June 1, 2008	March 31, 2009
Soft Turnover to Tenant of Phase Three for FFE- Note 1	SBER		February 28, 2009

Tenant Deliveries

Tenant to provide all alternate finish selections	UA		June 15, 2008
Tenant to provide locations for electrical rough-ins for signage	UA		June 15, 2008

Note 1: Soft Turnover means that UA will be provided with access to the indicated area to commence installation of UA FFE items. UA Work to be coordinated with remaining SBER construction.

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Kevin A. Plank, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Under Armour, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2008

/s/ KEVIN A. PLANK

Kevin A. Plank

*Chairman of the Board of Directors and
Chief Executive Officer*

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Brad Dickerson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Under Armour, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2008

/s/ **B RAD D ICKERSON**

Brad Dickerson

Chief Financial Officer

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Under Armour, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the quarterly report on Form 10-Q of the Company for the period ended June 30, 2008 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2008

/s/ KEVIN A. PLANK

Kevin A. Plank

Chairman of the Board of Directors and Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Under Armour, Inc. and will be retained by Under Armour, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Under Armour, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the quarterly report on Form 10-Q of the Company for the period ended June 30, 2008 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2008

/s/ BRAD DICKERSON

Brad Dickerson

Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Under Armour, Inc. and will be retained by Under Armour, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.